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CANADA NORTHWEST LAND LIMITED

78th ANNUAL REPORT 1970

The Annual Meeting will
be held at 2:00 p.m. April
15th, 1971 in the Lake
Louise Room of the
Calgary Inn, Calgary,
Alberta.



CANADA NORTHWEST LAND LIMITED

Seventy-eighth Annual Report
December 31, 1970

DIRECTORS:

* J.M. Alston	Calgary, Alberta
* H.G. Gammell	Calgary, Alberta
* N.E. Goodman	Montreal, Quebec
* D.W. Hilland	Calgary, Alberta
J.S. Lawson	Calgary, Alberta
H.J. Mockler	Montreal, Quebec
L.A.M. Reford	Montreal, Quebec
* M.S. Reford	Aylmer East, Quebec
Rt. Hon. Lord Shaughnessy	Montreal, Quebec
M.M. Sinclair	Toronto, Ontario

*Member Executive Committee

OFFICERS:

H.G. Gammell	President
Rt. Hon. Lord Shaughnessy	Vice-President & Secretary
J.M. Alston	Operations Manager
D.W. Hilland	Assistant Secretary

Bankers — Royal Bank of Canada

Transfer Agents — Canada Permanent Trust Company, Calgary & Toronto

Auditors — Clarkson, Gordon & Co.

Listing — Toronto Stock Exchange

Head Office — 920 Three Calgary Place, 355-4th Avenue, S.W., CALGARY 1, Alberta.



CANADA NORTHWEST LAND LIMITED

HIGHLIGHTS

	1970	1969
OPERATIONS		
OIL PRODUCTION (in barrels)		
Working Interest (net after royalties)	51,775	38,300
Share of Production From Freehold Titles	69,196	68,100
Total	120,972	106,400
NET ACREAGE		
Freehold Titles	242,459	242,179
P & NG Leases, Permits & Gas Licences	1,357,787	1,380,926
Mineral Claims and Permits	142,649	364,997
FINANCIAL		
Gross Revenue	\$ 430,094	\$ 492,627
Cash Flow	\$ 144,847	\$ 87,923
Per Share	8.9¢	6.2¢
Net Loss Before Non-Recurring Items	\$ 21,239	\$ 8,454
Non-recurring Items of Income	\$ 22,810	\$ 85,554
Shares Outstanding	1,628,830	1,423,820

TO OUR SHAREHOLDERS:

Your Company continued its program of diversification — initiated in 1969 — throughout 1970. Additional corporate acquisitions were made which further broadened the Company's land exposure and increased cash flow, while working capital was augmented by the sale of a debenture. Cash flow is growing steadily and will continue to rise as shut-in gas reserves are put on stream. Further improvement is expected as the production of Alberta oil reserves increases to full capacity and the sale price of our production escalates. Management fees charged to others should also increase. It is planned to continue an aggressive policy of acquisition, both of other companies and of land and production. During the last two years, a highly experienced staff has been mobilized and it is expected that our Company will participate with accelerating momentum in the bright future forecast for the energy industry in Canada.

FINANCIAL

In the year just past, gross revenue before extraordinary items declined by 13% to \$430,000 due to a smaller managed drilling program — reflecting tight money conditions — and lower investment income. The former is expected to pick up in subsequent years. All other sources of income were higher. Higher oil royalties reflected new wells on freehold title land, while acquisitions boosted production income by 35%. Rents and bonuses received tripled as more of our Company's freehold titles were leased out, while other income rose by 35%. The latter is made up mostly of management fees on programs and wells operated for others. Available cash flow increased by 65% to \$145,000 due to much lower general and administrative and managed drilling program costs.

Non-cash charges were 70% higher than 1969 at \$166,000. This was due to continued large

The energy shortage in the United States now assumes serious proportions. Gas and oil prices in Canada have risen in reaction to this shortage and to restricted supplies from other parts of the world and are expected to continue to rise. The failure of Consolidated Pipe Lines Company in their first try for a National Energy Board permit for a second gas export line is not expected to have any long-term dampening effect on exploration here. The exploding U.S. demand for Canadian gas and oil dictates continued and intensified exploration here as no other comparably priced sources are in sight. Demand is growing too fast for exploration to be financed solely by domestic capital; therefore, it is sincerely hoped that foreign capital will not be discouraged from coming into Canada. Competition in petroleum exploration breeds discovery and most explorers welcome it, be it from domestic or foreign sources, as long as the ground rules are the same for both.

investments in land not yet producing income, the capitalization of exploration expenses, additions to production equipment, deferred interest and the costs of issuing debentures. As a result, before extraordinary items and income tax refunds, our net loss increased to \$21,000 from \$8,500 in 1969.

The 7 1/2% Convertible Subordinated Debenture is described in the Notes to the Financial Statements. The \$1.1 million received from the sale of this bond was used to reduce bank loans, augment working capital and to expand our program of exploration and development. Expenditures of \$1.4 million were made during the year on acquisitions, exploration and development, while working capital by the year-end rose to \$118,000 from a deficit of \$359,000 at the start of the year.

CORPORATE ACQUISITIONS

Effective June 1st, 1970 our Company acquired all of the shares of two private Alberta companies — Bayou Petroleum Ltd. and Nassau Petroleum Limited — in exchange for 205,000 treasury shares. These companies, between them, hold a gross 1,571,993 acres of offshore permits (net 681,673 acres) in Hudson Bay, off Newfoundland on the Flemish Cap and in Melville Sound in the Arctic Islands. In addition, royalty interests are owned under 455,000 acres of permits located in the Beaufort Sea near the Mackenzie River delta and on land at Norman Wells and Beaver River in the Northwest Territories.

The companies' P & NG lease interests include 4,500 acres (net 1,200 acres) in the Taber, Netook, Red Deer and Boundary Lake areas of Alberta and 8,900 acres (net 5,800 acres) in the Deloraine, Hastings, Avon Hill and East Virden areas of Manitoba and Saskatchewan. The companies also hold two foothills coal permits of 23,000 acres (net 11,000 acres) in the Highwood River and Savanna Creek areas southwest of Calgary.

Interests are owned in ten oil wells located in the Rosebank, Avon Hill and Crossfield fields and in four shut-in gas wells in the Netook, Boundary Lake and Lucky Hills fields. Reserves of the two companies were estimated at 2.2 BCF of gas and 85,000 barrels of oil. Gross revenue in 1969 was \$70,000 and operating cash flow was \$45,000.

Subsequent to the year-end, an agreement was reached with Red Deer Minerals Ltd., a private

Alberta company, to exchange shares and enter into a management arrangement. In return for 108,000 shares issued from our treasury (6% of the outstanding shares), our Company will receive 404,000 treasury shares (35% of the outstanding shares) of Red Deer Minerals Ltd. This company owns a gross 21,000 acres of freehold titles (net 14,000 acres) and royalty interests varying up to 7 1/2% under another 39,000 acres, all in Central Alberta where the province's greatest concentration of gas and oil fields are to be found.

Red Deer Minerals Ltd. have P & NG lease interests in 36,000 acres (net 6,800 acres) in southern and central Alberta in the Black Butte, Aden, Pendant D'Oreille, Bow Island and Chigwell areas. On these parcels are six gas wells and two oil wells with reserves of 1.1 BCF of gas and 403,000 barrels of oil. Gross revenue for the year ending June, 1970 was \$40,000 and operating cash flow was \$27,000.

Red Deer Minerals Ltd. owns a 25% interest in Rio Alto Exploration Ltd., which owns extensive coal permits and mineral claims. The coal permits consist of 85,000 acres (net 35,000 acres) in the Brazeau-Nordegg and Crowsnest areas in the foothills of central west and southwestern Alberta. All of these permits have either coking coal seams exposed or have good potential and — with the exception of the Crowsnest properties — are being explored by other companies. The mineral claims are in southeastern British Columbia and include interests in 224 claims surrounding and along trend with Placid Oil Company's open pit copper mine at Bull River between Fernie and Cranbrook. This mine is expected to be on production during 1971.

RESERVES ESTIMATES

	1970		1969	
	GAS MMCF	OIL BARRELS	GAS MMCF	OIL BARRELS
Proven	30,203	958,800	21,471	948,200
Probable	13,071	51,100		51,100
Total	<u>43,274</u>	<u>1,009,900</u>	<u>21,471</u>	<u>999,300</u>



EXPLORATION AND LAND ACQUISITIONS

ARCTIC ISLANDS

The hydrocarbon potential of the Arctic Islands was further revealed during 1970 and early 1971 by the King Christian Island hole which blew out after encountering high pressure gas at less than 2,000'. The wild well was subsequently brought under control and further testing of this large gas accumulation is underway. Part of our Company's Arctic Islands land spread lies 85 miles southwest of the King Christian Island gas discovery and 55 miles northeast of the Drake Point gas discovery made in 1969. This 230,000 acre block of permits lies 10 miles southwest of Loughheed Island where a hole will be drilled by Sun Oil Company before the end of 1971. Panarctic Oils Ltd. also have announced a hole on the Fosheim Peninsula on the west side of Ellesmere Island 80 miles north of our Company's onshore Vendom Fiord permits and 80 miles southwest of the

onshore Greely Fiord permits. This will be the first hole in the eastern part of the Basin and is expected to create significant interest in the Company's acreage in this area.

The pace of drilling and exploration is quickening in the Arctic Basin with the result that some twenty holes have been drilled or are drilling and at least ten more are in the planning stage. The prospects in the Basin are highly regarded by the industry and our Company has good exposure to developments there.

Some 325,000 net acres of permits underlying the permanent sea ice in the Arctic Ocean west of Banks and Prince Patrick Islands have been dropped.

ALBERTA

JUMPING POUND

In 1970 a farmout was granted to Central-Del Rio Oils Limited of 8,320 gross acres in this area. The earning hole, in Lsd 7-4-25-5W5 which spudded October 10th, 1970, must test the Mississippian at about 12,000' and will earn a 50% interest in the block. Following the completion of the test expected during the second quarter of 1971, our Company will have an average of 15% interest in the block. The location lies in the folded foothills belt west of Calgary and is four miles southwest of the Jumping Pound gas field and three miles northeast of the West Jumping Pound gas field. Both of these fields produce from the Mississippian in narrow elongated northwest-southeast trending folded structures which have average reserves of better than 35 billion cubic feet of pipeline gas per section. The pipeline gas reserves in the adjoining two fields total over 1.5 trillion cubic feet.

BRAGG CREEK

During the year, our Company added to its existing land block - south of Jumping Pound - through purchase at Crown Sales. A 75% interest in 3,200 acres is held in this area.

NEVIS

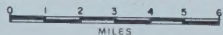
Early in 1970, a dry hole was drilled with partners on the Nevis Devonian reef of Central Alberta. While the location offset gas wells, the reef was encountered lower than expected and salt water filled and the hole was abandoned.

TWEEDIE

Two more gas wells have been drilled on this acreage - both of which contained several gas zones which brings the total gas well count there to thirteen. Another gas licence was purchased during the year and gross acreage now totals 55,000 acres (net 50,000 acres). Gas sales from one well started early in 1971. Recent estimates by consultants suggest that gross reserves under interest lands are close to 60 BCF (net 40 BCF) and that with a few more holes, the uncommitted reserves in the area may be large enough to justify the extension of a pipeline from



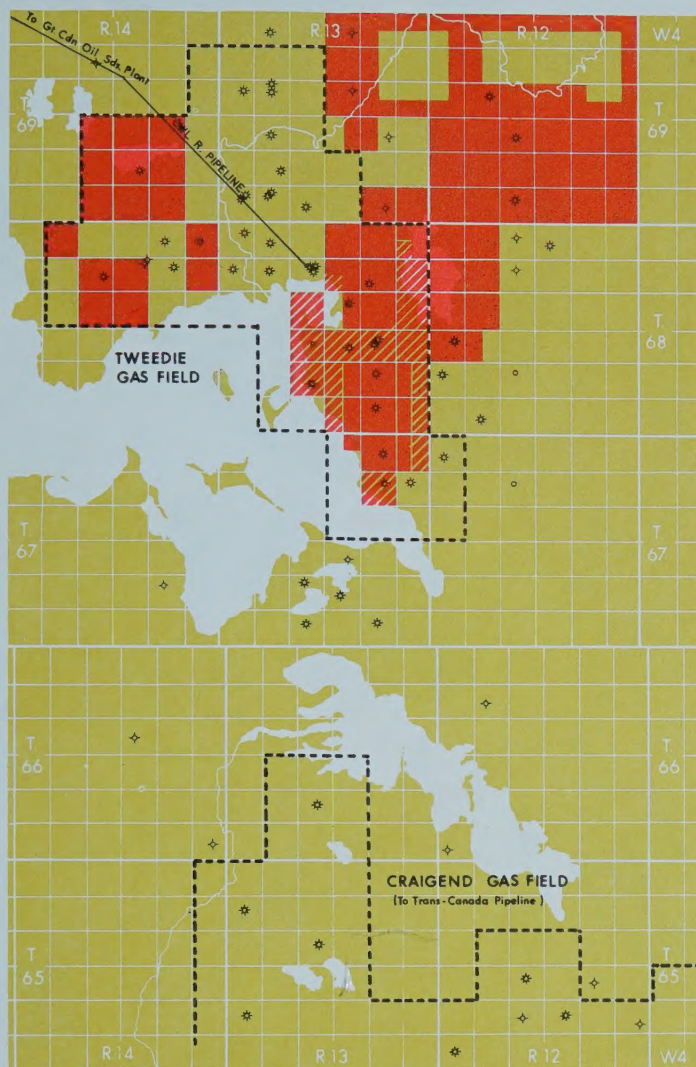
JUMPING POUND - BRAGG CREEK



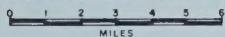
LEGEND

- | | |
|---|--|
| Canada Northwest Land | Oil Well |
| Location | Gas Well |
| Abandoned | |






TWEEDIE AREA



LEGEND

- | | |
|---|---------------------------------|
|  | Canada Northwest Land 50% |
|  | Canada Northwest Land 95 - 100% |
|  | Location |
|  | Oil Well |
|  | Abandoned |
|  | Gas Well |



SASKATCHEWAN

The industry appears to be turning its attention once more to Saskatchewan. This is reflected in the increase in the amount of freehold title land leased out to others in comparison with previous years. This trend is likely to continue through 1971. Two additional producers were drilled by lessors on company freehold in the Lost Horse Hills field and three dry holes were drilled on or adjoining Company land.

FOREIGN EXPLORATION

TUNISIA

Permits which were applied for in 1969 on and offshore in Tunisia are in the process of being farmed out to a European group. Canada Northwest Land Limited will retain a 1% carried interest through the entire program of exploration on the 3.6 million acres.

MONTANA

The Company and partners have taken options on eleven sections of land in Northern Montana which have produced 15 million barrels of oil up to the end of 1970. Engineering studies are being completed, an evaluation hole will be drilled in the spring and a pilot waterflood will be started in September. If the results are encouraging, it is planned to increase the size of the waterflood in successive stages. Preliminary estimates suggest that an additional 12.5 million barrels might be produced from a waterflood, of which our Company's share would be 25%.

It is felt that this project, while long-term, could be one of the most significant in the Company's history.

Earlier in the year, a hole was drilled with partners on a gas prospect at Columbus in Southern Montana. The hole was dry and the leases acquired there will be dropped.





■ N. ELLESMERE

■ ELLESMERE

ISLAND

Baffin Bay

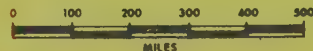
BAFFIN ISLAND

GREENLAND

ICELAND



PRINCIPAL LAND HOLDINGS



AREAS OF LAND INTEREST

Hudson Bay

■ HUDSON BAY

NEWFOUNDLAND

■ FLEMISH CAP

ST. JOHN'S

QUEBEC

ONTARIO

N.B.

P.E.I.
NOVA SCOTIA

HALIFAX

QUEBEC

MONTREAL

OTTAWA

TORONTO

NEW YORK

ATLANTIC OCEAN

MINERAL EXPLORATION

COAL

Preliminary geological exploration of the coal permits in the Highwood River and Savanna Creek areas confirmed the presence of beds in which coking coal usually occurs. An exposure of a 13' thick coal bed was uncovered.

During the year, freehold title land in the Canmore area of Western Alberta was optioned to a coal mining company, which will undertake exploration work on the land.

NORTHWEST TERRITORIES

Two of the four mineral prospecting permits northeast of Wollaston Lake were farmed out to others in 1970, while surveys were conducted on the remaining permits. None of these investigations turned up prospects of interest and the permits will be surrendered.

BRITISH COLUMBIA

Further geochemical investigations confirmed the presence of a sizeable mercury anomaly on the Copper Creek claims near Kamloops. Our Company holds a 20% carried interest in these claims.

UNITED KINGDOM

The shares owned in Anglo-Northern Mines Ltd., whose prime asset is a tungsten-tin prospect in the Duchy of Cornwall, have been exchanged for shares of a new company, Anglo Bomarc Mines Ltd. The latter are actively engaged in financing further exploration on this prospect.



COAL PROPERTIES

0 1 2 3 4 5 6
MILES

LEGEND



Canada Northwest Land 50%



Location



Abandoned



Oil Well



Gas Well





CDR CPOG JUMP C 7-4

JOINT EXPLORATION PROGRAM

As mentioned above, Inter-City Gas Limited of Winnipeg, a substantial gas marketer in parts of Manitoba, Ontario and Minnesota has purchased half of the Tweedie gas reserves and has agreed to join in a three-year exploration program. In addition to a greater exploratory exposure with a substantial financial base, our Company will earn management fees from this program.

OTHER

It is planned to apply, during 1971, to have Canada Northwest Land Limited's common shares listed on the oil sections of the Toronto and Vancouver Stock Exchanges.

During the year, two new directors were appointed, Messrs. D. W. Hilland and J. S. Lawson, both of Calgary. Both bring to the Board many years of experience in the petroleum industry.

At the time of writing, our staff consisted of eight full-time employees compared with five at the end of 1969. Tribute is paid to the devotion and efforts of these employees during the last year.

H. G. GAMMELL,
February 22, 1971. President.

CANADA NORTHWEST LAND LIMITED

AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1970 AND 1969

ASSETS

	1970	1969
CURRENT:		
Cash	\$ 46,399	\$ 25
Term deposits	25,000	
Accounts receivable	136,689	155,267
Note receivable	79,951	
Marketable securities, at cost (market value 1970 — \$6,800; 1969 - \$9,685)	8,304	10,530
Material and supplies — at cost	6,438	6,426
Income taxes refundable	4,059	
	<u>306,840</u>	<u>172,248</u>
INVESTMENTS AT COST — (quoted market value 1970 - \$33,930; 1969 — no quoted market value)	<u>23,050</u>	<u>23,050</u>
MINERAL RIGHTS — AT NOMINAL VALUE	<u>1</u>	<u>1</u>
PROPERTY, PLANT AND EQUIPMENT (Note 2):		
Oil and gas properties at cost less accumulated depletion (1970 - \$303,625; 1969 - \$173,535)	2,859,636	1,773,896
Production and other equipment at cost less accumulated depreciation (1970 - \$84,510; 1969 - \$43,970)	217,448	109,128
	<u>3,077,084</u>	<u>1,883,024</u>
OTHER — AT COST:		
Refundable deposits and other investments	81,013	55,629
Debenture and share issue expenses less amounts written off (Note 2)	79,525	19,788
	<u>160,538</u>	<u>75,417</u>
	<u><u>\$3,567,513</u></u>	<u><u>\$2,153,740</u></u>

See accompanying notes.



LIABILITIES

	1970	1969
CURRENT:		
Bank loan and overdraft (Note 3)	\$ 52,500	\$ 409,027
Accounts payable	97,205	103,996
Due to shareholders	20,500	
Unclaimed dividends	18,139	18,149
	<u>188,344</u>	<u>531,172</u>
LONG TERM DEBT:		
7½% Convertible subordinated debentures		
Series A and B (Note 4)	1,132,030	
Bank loan due after one year (Note 3)	6,000	
Loan payable due 1972 — interest free	2,000	
	<u>1,140,030</u>	
SHAREHOLDERS' EQUITY:		
Capital (Note 5) —		
Authorized:		
3,000,000 2% non-cumulative redeemable preferred shares of a par value of \$1		
6,000,000 common shares of no par value		
Issued:		
1,628,830 common shares (1969 - 1,423,820 shares)	1,424,049	809,049
Retained earnings	815,090	813,519
	<u>2,239,139</u>	<u>1,622,568</u>
On behalf of the Board:		
H. G. GAMMELL Director.	<u>\$3,567,513</u>	<u>\$2,153,740</u>
JOHN M. ALSTON Director.		

CANADA NORTHWEST LAND LIMITED

CONSOLIDATED STATEMENT OF INCOME FOR THE YEARS ENDED DECEMBER 31, 1970 AND 1969

	1970	1969
Income:		
Oil royalties	\$160,268	\$156,610
Oil and gas sales after royalties	116,052	86,102
Rents and bonuses	73,161	16,696
Managed drilling programs revenue	24,580	175,100
Dividends and interest	18,228	29,988
Other	37,805	28,131
	<hr/> 430,094	<hr/> 492,627
Deduct:		
Operating expense	55,040	45,444
Managed drilling programs expense	24,987	150,475
General and administrative expense	149,795	185,985
Mineral taxes	15,988	22,800
Interest on Series A Debentures	39,437	
	<hr/> 285,247	<hr/> 404,704
Income before the following	<hr/> 144,847	<hr/> 87,923
Deduct:		
Depletion	112,771	84,979
Depreciation	12,378	6,451
Amortization of debenture and share issue expenses	8,907	4,947
Deferred interest on Series B Debentures (Note 4)	32,030	
	<hr/> 166,086	<hr/> 96,377
Loss before income taxes and extraordinary item	<hr/> (21,239)	<hr/> (8,454)
Recovery of prior years income taxes	22,810	1,000
Income (loss) before extraordinary item	<hr/> 1,571	<hr/> (7,454)
Profit on sale of securities		84,554
Net income for the year	<hr/> \$ 1,571	<hr/> \$ 77,100

See accompanying notes.

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1970 AND 1969**

	1970	1969
Balance at beginning of year	\$813,519	\$795,110
Net income for the year	<u>1,571</u>	<u>77,100</u>
	815,090	872,210
Less dividends paid	<u></u>	<u>58,691</u>
Balance at end of year	<u><u>\$815,090</u></u>	<u><u>\$813,519</u></u>

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEARS ENDED DECEMBER 31, 1970 AND 1969**

	1970	1969
Source of funds:		
Net income for the year	\$ 1,571	\$ 77,100
Add non-cash charges for —		
Depletion	112,771	84,979
Depreciation	12,378	6,451
Amortization of debenture and share issue expenses	8,907	4,947
Debenture interest deferred	32,030	
Deferred income taxes		(1,000)
Funds provided from operations	<u>167,657</u>	<u>172,477</u>
Issue of debentures	1,100,000	
Issue of common shares	615,000	749,964
Special refundable tax		4,385
	<u>1,882,657</u>	<u>926,826</u>
Application of funds:		
Investment in shares of subsidiary companies	626,128	100,000
Add working capital deficits at dates of acquisition	<u>68,039</u>	<u>28,995</u>
	694,167	128,995
Expenditures on oil and gas properties —		
Drilling and exploration	324,440	298,886
Acquisition costs and rentals	210,262	1,332,743
Expenditures on production and other equipment	97,093	36,232
Investments and other assets	10,631	61,365
Share and debenture issue expenses	68,644	24,735
Dividend paid		58,691
	<u>1,405,237</u>	<u>1,941,647</u>
Increase (decrease) in working capital	<u><u>\$ 477,420</u></u>	<u><u>\$(1,014,821)</u></u>

See accompanying notes.

CANADA NORTHWEST LAND LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 1970

1. Principles of consolidation and acquisition of subsidiaries

The consolidated financial statements include the accounts of Canada Northwest Land Limited and its wholly-owned subsidiaries CNW Oil Limited, Nassau Petroleum Limited, Bayou Petroleum Ltd, and Canada Northwest Oils Inc. (a United States corporation).

Effective June 1, 1970 all of the outstanding shares of Nassau Petroleum Limited and Bayou Petroleum Ltd. were acquired for 205,000 common shares of the Company valued at \$615,000. The excess of the cost of the shares of Nassau Petroleum Limited and Bayou Petroleum Ltd. over the net book value of their assets at the date of acquisition is attributable to oil and gas properties and is included therein in the accompanying consolidated balance sheet.

2. Accounting practices

The companies follow the full-cost method of accounting wherein all costs relative to the exploration for and the development of oil and gas reserves, whether productive or non-productive, are capitalized and depleted on the composite unit-of-production method based on estimated proven reserves of oil and gas. Depreciation of production equipment is provided on the composite unit-of-production basis.

Share issue expenses have been deferred and are being amortized over a five year period.

Debenture issue expenses have been deferred and are being amortized over the term of the debenture.

3. Bank loans

The Bank loans are secured by the assignment of accounts receivable of one of the subsidiary companies and production from certain oil and gas properties.

4. Debentures

Details of the 7½% Convertible Subordinated Debentures issued during the year for cash are as follows:

Series A Debentures	\$ 600,000
Series B Debentures	500,000
Deferred interest on Series B Debentures	32,030
	<u>\$1,132,030</u>

The Debentures due February 23, 1985 are convertible into common shares of the Company at

\$3.00 per share to February 1972; \$4.30 per share to February 1977 and \$8.60 per share to February 1982 and are redeemable at the option of the Company as follows: Series A at prices varying from 107.5 in 1971 to par in 1985 and Series B at 105.5 commencing in 1975 and thereafter at prices varying to par in 1985.

Interest on the Series B Debentures can be deferred until 1975.

The Debentures are secured by a first floating charge on all of the Company's undertaking, property and assets both present and future.

The Indenture securing the Debentures contains restrictions concerning, among other things, the incurring of additional debt and the payment of dividends and provides for annual sinking fund payments commencing in 1975 in amounts sufficient to retire \$100,000 principal amount of the Debentures.

5. Share capital

205,000 shares were issued during the year upon acquisition of subsidiaries (See Note 1) for a stated value of \$615,000 and 10 shares were issued upon conversion of fractional shares outstanding.

At December 31, 1970, 494,537 shares of the Company's capital stock were reserved as follows:

120,000 shares for options granted to officers at prices ranging from \$3.00 to \$3.50 per share exercisable on various dates to December 31, 1973;

366,667 shares for the conversion of the 7½% Convertible Subordinated Debentures and

7,870 shares for the conversion of fractional shares outstanding.

6. Income taxes

At December 31, 1970 the companies had drilling, exploration and property acquisition costs of approximately \$2,050,000 available to be applied against future income.

7. Remuneration of directors and officers

i) Aggregate remuneration of eight directors as directors \$ 5,000

ii) Aggregate remuneration of three officers as officers \$54,282

iii) Three directors are also officers.

AUDITORS' REPORT

To the Shareholders of
Canada Northwest Land Limited.

We have examined the consolidated balance sheet of Canada Northwest Land Limited and its subsidiaries as at December 31, 1970 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada,
February 26, 1971.

Clarkson, Gordon & Co.
Chartered Accountants.

LAND & ROYALTY HOLDINGS

in acres

	1970	1969
FREEHOLD TITLES		
Manitoba	33,603	33,603
Saskatchewan	202,308	202,148
Alberta	6,548	6,428
TOTAL	<u>242,459</u>	<u>242,179</u>
Under lease to other companies	64,346	19,667

GROSS ACREAGE UNDER WHICH A ROYALTY OR CARRIED INTEREST IS HELD

Northwest Territories	148,019	—
Beaufort Sea	307,408	—
Flemish Cap off Newfoundland	43,462	
Tunisia	3,800,000	3,800,000
TOTAL	<u>4,298,889</u>	<u>3,800,000</u>

WORKING INTEREST ACREAGE

	Gross	Net	Gross	Net
P & NG Permits				
Arctic Islands	1,358,829	855,496	2,361,782	945,800
Hudson's Bay	884,564	250,597	—	—
Flemish Cap	352,763	176,381	—	—
TOTAL	2,596,136	1,282,474	2,361,782	945,800
Gas Licences				
Alberta	29,760	25,920	22,080	22,080
P & NG Leases and Options				
Alberta	61,032	34,966	37,314	26,638
Saskatchewan	8,330	4,013	10,080	6,408
Montana, U.S.	37,029	10,414	—	—
TOTAL	106,391	49,393	47,394	33,046
TOTAL	<u>2,732,287</u>	<u>1,357,787</u>	<u>2,431,256</u>	<u>1,000,926</u>

MINERAL EXPLORATION

Permits & Claims	65,000	32,500	728,795	364,397
Northwest Territories	392,115	98,029	—	—
Arctic Islands	3,000	600	3,000	600
British Columbia	23,040	11,520	—	—
Alberta Coal Permits				
TOTAL	<u>483,155</u>	<u>142,644</u>	<u>731,795</u>	<u>364,997</u>



CANADA NORTHWEST LAND LIMITED

Consolidated Statement of Profit and Loss (Unaudited)

	6 months ended June 30, 1970	6 months ended June 30, 1969*
Revenue:	\$	\$
Royalties	79,654	78,188
Production	47,075	41,549
Rentals	15,072	13,896
Investments	8,211	15,416
Other	34,952	15,596
	<u>184,964</u>	<u>164,645</u>
Expenses:		
Production	24,065	22,174
General and administrative	56,057	45,689
Interest	13,750	—
	<u>93,872</u>	<u>67,863</u>
Income before following:	91,092	96,782
Depletion	55,223	48,602
Depreciation	5,847	3,225
Amortization of share and debenture issue expense	8,419	—
Deferred interest	11,450	—
	<u>80,939</u>	<u>51,827</u>
Income before extraordinary item	10,153	44,955
Profit on sale of securities	—	84,562
Net income for the 6 months	<u>\$10,153</u>	<u>\$129,517</u>

* Restated.

CANADA NORTHWEST LAND LIMITED
920, Three Calgary Place,
355 - 4th Avenue S.W. Calgary 1, Alberta.

AR52

Globe & Mail,
Report on Business,
140 King St. W.,
TORONTO, Ont.

INTERIM REPORT

CANADA NORTHWEST LAND LIMITED

CNW

Six months Ending
June 30, 1970

To The Shareholders:

Gross operating revenue for the first six months of 1970 at \$185,000 was 12% above the 1969 level of \$165,000. Operating cash flow of \$91,000 was only 6% below the 1969 level of \$97,000 despite substantially higher cash charges including accrued interest on the debenture issued in March. It should be noted that those portions of administrative expenses applicable to exploration activities are now being capitalized. Increases in depletion and depreciation resulting from our higher capital investment, together with allowances for the amortization of financing charges and the deferred portion of the debenture interest, decreased net income for the period to \$10,000.

During the second quarter, the company acquired all of the shares of Bayou Petroleum Ltd. and Nassau Petroleum Ltd. in exchange for 205,000 shares issued from treasury, bringing the issued and outstanding to 1,628,820 shares. This acquisition adds significant acreage exposure in areas where the company did not previously have land, plus a cash flow of \$30,000 with potential for expansion.

Bayou and Nassau hold 600,000 acres of permits in Hudson Bay; 200,000 acres of permits off Newfoundland on Canada's east coast where Shell and others have active drilling and exploration programs; and 250,000 acres of permits in Viscount Melville Sound in the Arctic Islands, currently being explored by the Polarquest marine seismic program.

The companies also own royalty interests under permits operated by large companies totaling 500,000 acres in the Beaufort Sea off the MacKenzie River Delta, and in the Norman Wells and Beaver River areas of the Northwest Territories. Two wells are currently being drilled within 15 miles of the Norman Wells royalty interests.

Producing oil reserves of Bayou and Nassau are situated in the Crossfield area of Alberta, and the Rosebank and Avon Hills areas of southwestern Saskatchewan, and shut-in gas reserves, at Neptune near Boundary Lake in B.C., Netook in Southern Alberta and Lucky Hills in Southwestern Saskatchewan. Cash flow from these properties is expected to increase with the initiation of gas sales within the next year.

In addition, the companies own coal permits in the Highwood River area near Calgary, which are currently being explored.

With the addition of these two companies, Canada Northwest Land Limited now controls nearly 3 million acres in Canada, over 1,300,000 barrels of oil reserves and over 24 billion cubic feet of uncommitted proven gas reserves. The current shortage of gas in North America has resulted in producers obtaining substantial increases in well head prices during the past year and the potential value of our Tweedie gas reserves is therefore increasing.

Additional acreage representation has been acquired at Crown Sales in the Gold Creek-Smoky River area of western Alberta where the company now has interests in 15,000 acres. This is an area of deep prospects which is receiving increasing industry attention.

H. G. GAMMELL,
President

August 28, 1970.

Canada Northwest Land Limited

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of Canada Northwest Land Limited will be held in the Gold Room of the Palliser Hotel in the City of Calgary, Alberta, Canada, on the 9th day of April, 1970, at the hour of 1:00 P.M. mountain standard time, for the purpose of:

1. Receiving and considering the report of the directors, the financial statements for the fiscal year ended December 31st, 1969 and the auditors report thereon.
2. Electing directors for the ensuing year.
3. Appointing Clarkson, Gordon & Co. as auditors for the ensuing year.
4. Transacting such other business as may properly be brought before the meeting.

The Board of Directors has fixed April 4th, 1970 as the record date for the determination of registered shareholders entitled to attend and to vote at the said Annual General Meeting and any adjournment thereof and only shareholders of record on that date shall be entitled to attend such meeting and to vote thereat.

By Order of the Board

LORD SHAUGHNESSY,
Vice-President and Secretary.

Information Circular

This information circular is furnished in connection with the solicitation by the management of Canada Northwest Land Limited of proxies to be used at the Annual General Meeting of shareholders of this Company to be held on Thursday, April 9th, 1970, in the Gold Room of the Palliser Hotel in the City of Calgary, Alberta, for the purposes set forth in the accompanying notice of meeting and such proxies, if duly executed and returned, will be voted at the meeting and any adjournments thereon in accordance with the instructions contained therein. The persons designated in the enclosed form of proxy are Directors of the Company. A shareholder desiring to appoint any other person to represent him at the meeting may do so by striking out the names of the persons designated and by substituting such other person's name in the blank space provided in the form of proxy.

Any shareholder executing a proxy may revoke it at any time prior to its use by instrument in writing duly executed and deposited with the chairman of such meeting on the day of the meeting, or any adjournment thereof.

The cost of sending notices of the annual meeting and soliciting proxies for the meeting will be paid by the Company.

The Company has authorized capital of 3,000,000 preferred shares with a par value of \$1.00 each, none of which are issued and outstanding, and 6,000,000 common shares of no par value of which 1,423,820 are issued and outstanding, and each share carries one vote. The Directors have fixed April 4th, 1970 as the record date for the determination of the persons entitled to attend and vote at the meeting or any adjournment thereof and only shareholders of record at the close of business on that date will be entitled to so attend and vote. In addition to the above issued and outstanding shares, 7,880 shares have been reserved and allotted for issue to holders of fractional vouchers.

ELECTION OF DIRECTORS AND INFORMATION AS TO NOMINEES

Under the Companies Act of Incorporation as amended, the qualification of a member of the Board shall be the holding in his own right of 100 shares of the capital stock of the Company. The persons named in the enclosed form of proxy will vote such proxy for the election of the eight nominees named below, all of whom are currently directors of the Company and whose term of office will expire at the meeting. In the event any of the nominees shall become unable to serve as a director the proxy will be voted in accordance with the best judgment of the person or persons acting under it.

The names of all the nominees, together with a tabulation showing: (1) his principal occupation or employment, and the name of the corporation or organization in which such occupation or employment is carried on; (2) the period during which he has served as a Director; (3) the approximate number of shares of this Company's stock of which such Director was directly or indirectly the beneficial owner on February 27th, 1970; and (4) any other offices of the Company held by him, are as follows:

<u>Name</u>	<u>Position with the Company and other Principal Occupation</u>	<u>Year First Elected</u>	<u>Shares beneficially owned as of February 27th, 1970</u>
H. G. Gammell	President of the Company.	1962	33,600
Rt. Hon. Lord Shaughnessy	Vice-President of the Company, President W. S. Hodge Paper Co. Ltd.	1957	12,000
M. S. Reford	Vice-President, Geoterrex Ltd.	1964	75,520
N. E. Goodman	Partner, Beutel, Goodman & Co. Investment Counsel, for last 2 years; previous 3 years, Portfolio Manager, Everest Investments Ltd.	1969	2,000
H. J. Mockler	President, Merrill Island Mining Corp. Ltd.; previous 4 years, Director, Mead & Co. Ltd.	1969	100
M. M. Sinclair	Executive, Cochran Murray & Co. last 3 years; previous 2 years, Director of Research, Midland Osler Securities Ltd.	1969	2,000
L. A. M. Reford	Vice-President the Robt. Reford Co. last 5 years.	1969	2,000
J. M. Alston	Manager of Operations of the Company for last year; previous 4 years, Presi- dent, Jason Oils Limited.	1969	50,020

REMUNERATION AND ESTIMATED COST OF PENSION BENEFITS OF OFFICERS AND DIRECTORS

The direct aggregate remuneration paid or payable by the Company and its subsidiaries during the Company's last completed financial year ended December 31st, 1969, to the Directors in their capacity as Directors, officers and employees was \$59,270.

OPTIONS

The President has been granted an option to purchase up to 80,000 common shares at a price of \$3.00, exercisable by December 31st, 1973. The Manager of Operations holds an option, granted before he became an Officer and Director and as part of a sale and purchase agreement, to purchase up to 40,000 common shares at \$3.50, exercisable on an annual basis by December 31st, 1973.

APPOINTMENT OF AUDITORS

At the meeting, action will be taken upon the appointment of Clarkson, Gordon & Co., as auditors of the Company at a remuneration to be fixed by the Board of Directors. Clarkson, Gordon & Co. have been auditors for the last three years.

FINANCIAL STATEMENTS

The Directors will submit to the shareholders at the meeting the financial statements of the Company for the year ended December 31st, 1969, together with the report of the auditors thereon.

OTHER MATTERS

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting. The management knows of no such amendment, variation or other matters which may properly be presented at the annual meeting, but if other matters do properly come before the meeting, it is the intention of the persons named in the enclosed form of proxy to vote such proxy according to their best judgment.